

Focus on Warehousing



Measure Everything That Results In Customer Satisfaction

PRODUCTIVITY	
MEASURE	CALCULATION
Orders per Hour	$\frac{\text{Orders picked \& packed}}{\text{Total warehouse labour hours}}$
Lines per hour	$\frac{\text{Lines picked \& packed}}{\text{Total warehouse labour hours}}$
Cost per order	$\frac{\text{Total warehouse costs}}{\text{Total orders shipped}}$
Cost as % of sales	$\frac{\text{Total warehouse cost}}{\text{Total revenue}}$

ORDER FULFILLMENT	
MEASURE	CALCULATION
On-Time Delivery	$\frac{\text{Orders shipped on-time}}{\text{Total orders shipped}}$
Order Fill Rate	$\frac{\text{Completed orders filled}}{\text{Total orders shipped}}$
Order Accuracy	$\frac{\text{Error free orders}}{\text{Total orders shipped}}$
Order Cycle Time	Actual ship date minus Customers order date

Below is a list of warehousing metrics that could be deployed to evaluate operational performance. The metrics selected should be aligned with the strategic objectives of the organization.

Each metric should be simple to articulate so employees understand it, recognize how they can influence it and what is expected of them.

INVENTORY	
MEASURE	CALCULATION
Inventory Accuracy	$\frac{\text{Physical count per SKU}}{\text{System recorded per SKU}}$
Damaged Inventory	$\frac{\text{Total damaged inventory (\$)}}{\text{Total value of inventory (\$)}}$
Inventory Turnover	$\frac{\text{Cost of goods sold}}{\text{Average inventory level}}$
Inventory Turns	$\frac{\text{Number of units sold}}{\text{Average number of units}}$
Storage Utilisation	$\frac{\text{Average occupied space (sqm}^2\text{)}}{\text{Total storage space (sqm}^2\text{)}}$

Handy Hints

For customer focused organisations the number one business metric is Delivery In-Full and On-Time (DIFOT). This metric is a good indicator of your inventory management, demand planning and fulfillment processes.

Handy Hints

Rearrange your pick faces as often as necessary. Almost 60% of a picker's daily activity can involve travel time. So it's an excellent idea to reduce that unnecessary travel time wherever possible. Good product positioning can decrease travel time thus reducing picking labor.